

Message Text

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14

ACTION EUR-12

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E.O. 11652: N/A

TAGS: EFIN, EIND, ETEL, SCUL, CA

SUBJ: TIME MAGAZINE IN THE AFTERMATH OF C-58

1. TIME CANADA PRESIDENT H.M. FINDLAY CALLED ON ME SEPTEMBER 13 AND ADVISED THAT HIS PRESENT OPERATIONS WERE QUITE GOOD. CIRCULATION HAS DROPPED FROM THE 500,000 LEVEL TO APPROXIMATELY 300,000 COPIES; STAFF HAS BEEN REDUCED FROM ABOUT 90 TO 20; THE PUBLICATION IS CURRENTLY MAKING A NET PROFIT OF ABOUT \$2 MILLION VERSUS ABOUT \$3 MILLION LAST YEAR. ADVERTISING RATES HAVE BEEN DROPPED ABOUT 60 PERCENT AND THE GUARANTEED RATE BASE IS ONLY 200,000 COPIES. EARLY NEXT YEAR TIME WILL INCREASE THIS RATE BASE TO ABOUT 280,000 AND FINDLAY IS OPTIMISTIC ADVERTISERS WILL NOT UNDULY RESIST THE ADDED COSTS. HE THUS EXUDED CONFIDENCE ABOUT THE LONGER TERM VIABILITY OF THE ENTERPRISE.

2. FINDLAY SEES ONE THREAT ON THE HORIZON; A PROPOSAL BY HEALTH AND WELFARE MINISTER LALONDE TO BAN ALL PERIODICALS ADVERTISING OF ALCOHOLIC BEVERAGES. THIS PROPOSAL HAS BEEN MADE IN THE CONTEXT OF CONTROLLING THE GROWTH OF ALCOHOLISM IN CANADA AND WOULD APPLY TO ALL PERIODICALS. TIME IS PARTICIPATING IN THE MAGAZINE ASSOCIATION OF CANADA EFFORT TO DISSUADE

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LALONDE FROM PURSUING THIS APPROACH. FINDLAY SUGGESTED

THE LOSS OF THIS \$16 MILLION WOULD WIPE OUT THE CANADIAN PERIODICAL INDUSTRY WHICH GETS A LARGE PROPORTION OF ITS ADVERTISING REVENUE FROM CANADIAN DISTILLERS AND IMPORTERS OF ALCOHOLIC BEVERAGES.

3. FINDLAY INDICATED HE HAD ONE LONGER-TERM CONCERN REGARDING POSSIBLE FUTURE GOC ACTION DIRECTED SPECIFICALLY AGAINST TIME -- NAMELY, THE WITHDRAWAL OF ITS SECOND CLASS MAILING PRIVILEGES. (THIS ACTION WOULD NOT REQUIRE LEGISLATION; IT COULD BE ACCOMPLISHED BY ADMINISTRATIVE DECREE.) AFTER READER'S DIGEST COMPLETES ITS TRANSITION TO THE C-58 REGIME, TIME WILL BE THE ONLY SIGNIFICANT NON-CANADIAN PUBLICATION USING SECOND CLASS RATES. IF TIME WERE FORCED TO USE FIRST CLASS RATES, THE COSTS WOULD BE PROHIBITIVE AND IT WOULD HAVE TO SUSPEND ITS CANADIAN OPERATIONS. IT WOULD NOT BE ABLE TO SUPPLY MORE THAN 100,000 COPIES FROM ITS U.S. PRINTINGS WITHOUT AROUSING AMERICAN ADVERTISER OBJECTIONS. (NEWSWEEK, HE SAID, CURRENTLY HAS A CANADIAN CIRCULATION OF ABOUT 50,000 SUPPLIED FROM THE U.S.) FINDLAY SAID, HOWEVER, HE SEES NO PRESENT THREAT TO TIME'S ENJOYMENT OF SECOND CLASS PRIVILEGES. A COPY OF A TIME MEMO ON THE POSTAL RATES QUESTION IS BEING FORWARDED TO EUR/CAN (BLAKEMORE).

4. I SUGGESTED THAT IT MIGHT BE APPROPRIATE FOR THE USG AT SOME POINT TO TRY TO BUILD IN SOME PROTECTION AGAINST FURTHER DETERIORATION.

5. ONE WAY TO DO THIS WOULD BE TO APPROACH GOC WITH THIS PITCH:

--USG DID NOT CONTEST C-58 FOR EITHER MAGAZINES OR TV DESPITE SUBSTANTIAL POLITICAL PRESSURE;

--NOW THAT C-58 IS IMPLEMENTED (WE EXPECT IT TO BE SHORTLY) IT WOULD BE IMPORTANT TO HAVE GOC ASSURANCE THAT THAT'S IT, AND WE NEED FEAR NO FURTHER ACTIONS AGAINST US PUBLICATIONS OR BORDER TV STATIONS.

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--OTHERWISE UNCERTAINTY WILL REMAIN AND THE RISK WILL BE THAT PUBLICATION AND BORDER TV WILL CONTINUE AS IRRITANTS BETWEEN US.

6. DEMARCHE WOULD NOT MENTION POSTAL RATE QUESTION; APPROPRIATE TIME MIGHT BE SIMULTANEOUSLY WITH SETTLEMENT OF DELETION QUESTION.

7. WOULD LIKE TO DISCUSS THIS WITH DEPASST SECY VINE DURING
PO MEETING.
ENDERS

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